

**MOTORCITIES NATIONAL HERITAGE
AREA PARTNERSHIP, INC.**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Independent Auditor's Report Thereon)

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MotorCities National Heritage Area Partnership, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of MotorCities National Heritage Area Partnership Inc. (a Nonprofit Organization), which comprise the statements of financial position as of September 30, 2020, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MotorCities National Heritage Area Partnership, Inc. as of September 30, 2020 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2020, MotorCities National Heritage Area Partnership, Inc. adopted Accounting Standards Update ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited MotorCities National Heritage Area Partnership, Inc.'s September 30, 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Doeren Mayhew

Troy, Michigan
February 2, 2021

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020**

WITH SUMMARIZED FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash	\$ 161,445	\$ 324,978
Temporarily restricted cash (note 5)	7,686	12,603
Grants and accounts receivable (note 2)	394,850	307,504
Prepaid expenses	5,375	11,028
Escrow and agency funds (note 5)	37,780	287,196
Total current assets	607,136	943,309
Signs and equipment:		
At cost, less accumulated depreciation of \$11,939 in 2020 and \$0 in 2019 (note 7)	79,233	-
Total assets	<u>\$ 686,369</u>	<u>\$ 943,309</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	\$ 25,149	\$ 88,662
Other accrued liabilities	17,240	11,597
Stewardship deposits (note 5)	7,686	7,686
Escrow and agency funds (note 5)	37,780	287,196
Total liabilities	87,855	395,141
Net assets:		
Without restrictions	598,514	543,251
With restrictions (note 5)	-	4,917
Total net assets	598,514	548,168
Total liabilities and net assets	<u>\$ 686,369</u>	<u>\$ 943,309</u>

See accompanying notes to financial statements

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR SEPTEMBER 30, 2019**

	2020	2019
Changes in unrestricted net assets:		
Revenue and support:		
Grant from National Parks Service	\$ 491,000	\$ 491,000
Conferences	-	15,670
Contributions	56,937	37,116
In-kind donations	172,485	514,207
Miscellaneous income	15,002	16,793
Total revenue and support	735,424	1,074,786
Expenditures:		
Program services:		
Tourism	15,372	30,825
Revitalization	6,525	434,011
Interpretation and education	515,321	546,588
Supporting services - management and general	147,860	110,518
Total expenditures	685,078	1,121,942
Increase (decrease) in unrestricted net assets	50,346	(47,156)
Net assets - beginning	548,168	595,324
Net assets - ending	\$ 598,514	\$ 548,168

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA PARTNERSHIP, INC.

STATEMENTS OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2020 WITH SUMMARIZED FINANCIAL INFORMATION FOR SEPTEMBER 30, 2019

	Program Services				Supporting Services		2020	2019
	Tourism	Revitalization	Interpretation and Education	Total Program Services	Management and General			
Salaries and benefits	\$ 2,933	\$ 2,933	\$ 287,470	\$ 293,336	\$ 63,912	\$ 357,248	\$ 345,415	
Occupancy expenses:								
Building rent	286	286	28,018	28,590	6,229	34,819	38,163	
Parking	151	151	14,753	15,055	3,280	18,335	18,527	
Total occupancy expenses	437	437	42,771	43,645	9,509	53,154	56,690	
Administration expenses:								
Professional accounting fees	-	-	-	-	21,684	21,684	-	
Professional legal fees	-	-	-	-	39,489	39,489	-	
Professional fees	202	202	19,775	20,179	4,396	24,575	26,459	
Temporary staffing	-	-	-	-	-	-	13,627	
Postage and supplies	54	54	5,258	5,366	1,169	6,535	6,011	
Telephone and utilities	51	51	5,002	5,104	1,112	6,216	8,447	
Total administration expenses	307	307	30,035	30,649	67,850	98,499	54,544	
Other expenses:								
Workplan	5,423	2,546	10,923	18,892	-	18,892	52,724	
Grants and projects	-	-	108,512	108,512	-	108,512	561,324	
Conferences, meetings and travel	40	40	3,934	4,014	874	4,888	26,329	
Insurance, Fees & Miscellaneous	262	262	25,707	26,231	5,715	31,946	24,916	
Total other expenses	5,725	2,848	149,076	157,649	6,589	164,238	665,293	
Total expenses before depreciation expense	9,402	6,525	509,352	525,279	147,860	673,139	1,121,942	
Depreciation expense	5,970	-	5,969	11,939	-	11,939	-	
Total functional expenses	<u>\$ 15,372</u>	<u>\$ 6,525</u>	<u>\$ 515,321</u>	<u>\$ 537,218</u>	<u>\$ 147,860</u>	<u>\$ 685,078</u>	<u>\$ 1,121,942</u>	

See accompanying notes to financial statements

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR SEPTEMBER 30, 2019**

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 50,346	\$ (47,156)
Adjustments:		
Depreciation	11,939	-
Changes in assets and liabilities:		
Increase in grants and accounts receivable	(87,346)	(11,759)
Decrease (increase) in prepaid expenses	5,653	(8,083)
Decrease in escrow and agency funds	249,416	21,833
(Decrease) increase in accounts payable	(63,513)	7,524
Increase in other accrued liabilities	5,643	3,062
Decrease in escrow and agency funds	(249,416)	(21,833)
Total adjustments	(127,624)	(9,256)
Net cash used in operating activities	(77,278)	(56,412)
Cash flows from investing activities:		
Purchase of equipment	(91,172)	-
Net cash used in investing activities	(91,172)	-
Net decrease in cash	(168,450)	(56,412)
Cash - beginning	337,581	393,993
Cash - ending	\$ 169,131	\$ 337,581

See accompanying notes to financial statements

MOTORCITIES NATIONAL HERITAGE AREA PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization

MotorCities National Heritage Area Partnership, Inc. (the “Organization”) is a Michigan non-profit corporation dedicated to preserving, interpreting, and promoting Michigan’s automotive and labor heritage. The Partnership is the authorized management and coordinating entity for the Heritage Area. The Partnership, in cooperation with the State of Michigan, other local and governmental entities, the private and non-profit sectors and local communities in Michigan, empowers communities in Michigan to conserve their automotive heritage while strengthening future economic opportunities; and conserve, interpret and develop the historical, cultural, natural and recreational resources related to the MotorCities National Heritage Area.

Basis of Accounting

The Organization records revenues and support and expenses using the accrual basis of accounting in accordance with generally accepted accounting principles applied to non-profit organizations.

Net Asset Classification

In accordance with generally accepted accounting principles, the Organization’s net assets are categorized and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restriction. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors (the Board).

Net Assets With Donor Restrictions

Net assets with donor restrictions carry donor-imposed restrictions on the expenditure of the contributed assets. Net assets with donor restrictions may expire with the passage of time, as a result of actions taken by the Organization that fulfills donors’ restrictions. When net assets with donor restrictions are released from restrictions, they are transferred to net assets without donor restrictions and shown as net assets released from restrictions in the statements of activities and changes in net assets.

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Revenues and Cost Recognition

The Organization recognizes all revenues derived from grants, unconditional promises to give and fundraising events in the period of the grant, promise to give or fundraising activity occurs. Costs related to these revenues are recorded as incurred.

In-kind Donations, Donated Materials and Services

The Organization derives benefits from the use of donated materials, professional services and other services from volunteers from time-to-time. During the fiscal years ended September 30, 2020 and 2019, the fair value of these donated materials and services amounted to \$172,485 and \$514,207, respectively. In 2020, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 2%, 1%, 82% and 15%, respectively. In 2019, the total donated materials and services were allocated to tourism, revitalization, interpretation and education (Program Services), and management and general (Supporting Services) by approximately 3%, 37%, 47% and 13%, respectively.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash

At times, the cash balances held at financial institutions were in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. Total cash balances are insured by the FDIC up to \$250,000 per bank. At September 30, 2020 and 2019, the Organization had approximately \$0 and \$356,300, respectively, in excess of the FDIC limits.

Grants and Other Receivables

The Organization receives grants on an annual basis from various local, state, federal and other funding sources. Certain grants are funded on a reimbursement basis which can lead to a grant receivable amount at the Organization's year end. Grants and other receivables that are deemed uncollectible are written-off in the period that determination is made. No allowance for doubtful accounts is considered necessary at September 30, 2020 and 2019, respectively.

MOTORCITIES NATIONAL HERITAGE AREA PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to the three programs and supporting services of the Organization. Those expenses include salaries and benefits, occupancy expenses, administrative expenses and other expenses. The salaries and benefits, and certain administrative expenses, with the exception of professional fees, are allocated based on employee timesheets as well as the time spent directly on each. In order to meet the goals of conserving, interpreting and developing the historical, cultural and natural resources of the MotorCities National Heritage Area, grants and project costs are deployed in the following areas:

Revitalization

To develop partnerships that support the preservation and revitalization of our auto heritage sites, neighborhoods, and communities, fostering pride and economic development around these resources.

Interpretation and Education

To create passion for and awareness of the connections between the automobile, the workers and the history of the industry in this region through educational partnerships and interpretive presentation.

Heritage Tourism

To package and promote the auto and labor heritage experiences presented across this region via the identification and development of partnerships that expand the heritage story.

The direct and material costs of the three programs are listed under program service fees. The Organization used timesheet distributions as the significant factor, as Motorcities National Heritage Area is a labor intensive Organization and the fact that wages are the primary direct expenditure. Other expenses are directly allocated based on the service to which it applies. In addition, professional fees were deemed to be 100% supporting services and not allocated to programs.

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Current Vulnerability

Due to certain concentrations, approximately 87% of the Organization's non-in-kind revenues were provided through their federal contracts.

Recent Accounting Pronouncements

In 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The changes to the current GAAP model improve the scope and accounting guidance for contributions received and contributions made. The changes assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The Organization adopted ASU 2018-08 for the year ended September 30, 2020.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 2, 2021, which is the date the financial statements were available to be issued.

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Risks and Uncertainties

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide - including disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures, and decreased demand from both business customers and consumers. As of February 2, 2021, the Organization is assessing the impact on its operations and cash flows but currently the disruption and uncertainty caused by the Coronavirus is far-reaching and the ultimate effects of this event are unknown.

Note 2 - Grants and Accounts Receivable

The Organization's grants and accounts receivable as of September 30, 2020 consisted of the following:

Grants receivable - National Parks Service	<u>\$ 394,850</u>
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Note 3 - Lease Commitments

The Organization is responsible for the operating expenses on a month-to-month basis, which amounts to approximately \$1,700 per month. The Organization has recognized \$34,819 for the use of the facilities, including operating expenses and \$18,000 for parking as in-kind donation revenues and expenses during the year ended September 30, 2020 under this agreement.

The Organization entered into a three year lease with Leaf Electric for the use of a copier in May of 2018. The monthly payment due for the lease is approximately \$205. Below is a breakdown of the required future minimum lease payments by year:

2021	<u>\$ 1,437</u>
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The total copier lease expense for the years ended September 30, 2020 and 2019 amounted to \$3,019 and \$2,996, respectively.

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 4 - Related Party

The Organization has a cooperative agreement with the National Parks Service that provides substantially all of its federal funding. This agreement has been extended through September 30, 2021; however, the amount of funding is to be determined on an annual basis by Congressional Appropriations committees.

The Organization had their funding cap lifted by language contained in the Public Lands Bill of 2019, later renamed the John D. Dingell Conservation, Management and Recreation Act. In this bill the funding cap was lifted from \$10 million to \$12 million.

The Organization receives a substantial amount of its support from federal government sources. A significant reduction in the level of this support, if it were to occur, could have a material effect on certain programs of the Organization. If a National Heritage Area Program Bill is passed in this Congress, which is a goal that is within reach, it will eliminate caps and reauthorize Motorcities National Heritage Area for 20 years.

Note 5 - Restricted Cash

The Organization maintains funds for various Stewardship Communities. The Organization holds these funds to be disbursed based on the approved plan from the Stewardship Communities. The amounts as of September 30, 2020 and 2019 held for Stewardship Communities amounted to \$7,686 and \$7,686, respectively.

The Organization received donated funds toward the Highway Sign Project. The restricted balance as of September 30, 2020 and 2019 was \$-0- and \$4,917, respectively.

The Organization also acts as a fiscal agent for a coalition of other non-profit organizations (the Coalition) relating to the Fort Street Bridge Interpretive Park project. The Organization maintains these custodial funds for payment to the Coalition to purchase items related to the park project. These amounts are held in escrow, with a corresponding liability recorded until the date that such funds are released by the Organization for their intended purpose. The balance at September 30, 2020 and 2019 was \$37,780 and \$287,196, respectively.

**MOTORCITIES NATIONAL HERITAGE AREA
PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 6 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 161,445
Grants and accounts receivable	394,850
Prepaid expenses	5,375
Less those unavailable for general expenditure within one year,	<u>-</u>
Total	<u>\$ 561,670</u>

The Organization has \$561,670 of financial assets available within a year of the statement of financial position date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 7 - Signs and Equipment

The cost of signs and equipment is summarized as follows:

	<u>2020</u>
Signs and equipment	\$ 91,172
Less accumulated depreciation	<u>(11,939)</u>
Undepreciated cost	<u>\$ 79,233</u>

Depreciation expense was \$11,939 for the year ended September 30, 2020.

*** * * End of Notes * * ***